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SPEECH TO BE GIVEN BY [REDACTED] FOR PRESENTATIONS PROGRAM—

21 January 1953, Room 117, Central Building Class. ☐

SUBJECT: Dollars and Sense

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By: *OK*

In my position as Auditor-in-Chief of the Agency, I am responsible for the audit of all accounts of the Agency to determine that all assets are properly accounted for. I have the additional responsibility to recommend any changes in financial operations which, in my opinion, may redound to the benefit of the Agency. I also have the responsibility, which I believe should be shared by every employee of the Agency, of bringing to the attention of the proper authorities any matters which I think may improve Agency efficiency.

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To perform my audit responsibilities, I have a group of accountants, located in the I Building, of which [REDACTED] is in charge, to do the detail auditing work. I set policies and exercise general supervision over the operation of the audit office.

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In the audit of proprietary projects I use either personnel of Mr. [REDACTED] office, or where desirable for cover purposes, employees of civilian accounting firms who have been cleared by Inspection and Security. Decision as to whether our own personnel or a civilian firm would do the audit work on a particular project is made by a Committee composed of representatives of the Comptroller, the Audit Office, the Commercial Division, and the case officer involved in the particular project to be audited. The case officer has the definite responsibility to determine whether cover will permit the audit by Agency personnel or whether it is necessary to employ an outside auditor.

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Efforts are now being made to decentralize the audit of Agency operations to overseas commands so that a better audit job can be done and prompt corrective action taken on the spot when warranted. Auditors are now in the Far East to start this decentralized audit as soon as that overseas area is organized so as to permit such auditing. It is expected that certain decisions necessary to complete the decentralization of audit will be made during [REDACTED] visit here this month.

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Now to the subject of my talk, "Dollars and Sense".

Yesterday we inaugurated a new President of these United States, and in view of what we heard during the late campaign we may expect that the new administration will have a good look at the operations of all government departments and agencies. The administration can be expected to reappraise all Government activities not only as to their continuing value but as to value received for each dollar heretofore spent. Therefore, it may be well that we pause a while in our daily duties to do a little introspection. Can we stand the bright lights of inquiry? Has the use of our dollars made sense? Have we been extravagant and wasteful? These are questions that need answers and I hope to be of some help to that end.

In the course of my duties as Auditor-in-Chief, I have had greater opportunities to observe the policies, procedures, and operations of the Agency as a whole than most of you. My lifelong experience and present responsibilities naturally lead me to scrutinize the financial side of operations to a greater extent than most of you.

What I have observed has not always been good and we merit criticism.

My talk today has the purpose of alerting you to dangers and hazards in

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the attitudes held by some of you and to urge the development of a greater sense of financial responsibility and a business-like attitude in planning and carrying out your operations. As this is a family party I hope my remarks will be accepted in the spirit in which I give them, i.e. an endeavor to be of help.

First let me ask—"Do we think there is any difference between the dollar we have earned and may possibly have in our pocket and the taxpayers dollar for which we as members of CIA, are responsible?

The dollar we own is ours to do with as we please. If we want to waste it that is our business although our creditors may qualify that statement. But the dollars we control or manage for CIA is a different kind of dollar. It is a dollar which carries with it a responsibility that cannot lightly be ignored. It is the taxpayers dollar and we as public servants are responsible for its efficient and economical use for the purposes for which it was appropriated.

Since I have been with the Agency I have seen and heard things that convince me that we have not realized this responsibility to the taxpayers and as a result have wasted a lot of money. Some of this waste has been unavoidable—the nature of our work involves chance and risks, but a good part of it has little defense. The unwarranted waste has been due to the fact that we have not measured cost in our desire to carry out our mission for had we done so some projects would not have been attempted, some would have been abandoned before large sums were expended thereon, and others would have been more efficiently administered. Therefore, let us first talk as taxpayers. The National Debt in 1912 was \$1,193,838,505. In 1940, 28 years later, the National Debt had been increased to \$42,967,531,038, and we fought a war during that period; and today in 1953, just 12 years

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later, it has reached the staggering total of approximately \$270,000,000,000. This latter figure represents a debt of approximately \$1,800 for every man, woman, and child in this country. It must be borne by ourselves or our posterity and with the present state of world affairs it would appear that our descendants will have plenty of additional debt to liquidate. From the figures here shown, the bulk of this National Debt was incurred by the generation we here represent and it is our responsibility to our children and our children's children to make every effort to reduce that debt materially or at least not to increase it.

But there is another facet of this matter which should impel our attention even more than what I have just stated. Many of us here today are in a position to know how serious is the possibility that we may have another major war and if we consider the increase in the National Debt as a result of the late war and the possibility of a greater increased cost in the next war, we may well contemplate the collapse of our nation economically and the loss of our prestige as a world power. So much for the national picture.

We who are here in this room help to set policy and supervise operations and in a great measure are responsible for the efficient operations of this Agency. The Director cannot be expected to know everything that goes on. He has his hands full making major decisions, meeting his daily flow of visitors and attending many conferences. His Deputies have similar full-time responsibilities. They must depend on us to see that Agency programs are efficiently and economically administered.

I am proud that I have been permitted to serve the Agency and I am sure the rest of you feel the same way. I know you agree with me that the

Agency is doing a very important job—a type of work that should be continued. But there are serious moves afoot today to curtail the operations

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of this Agency. Criticism is growing daily. We as individuals may not be mentioned in these criticisms but our loyalty to the Director, our loyalty to CIA, and our loyalty to ourselves should impel us to do everything within our power to prevent any possible actions which may be justly subject to criticism. Loyalty to CIA and to ourselves demands that our every effort must be to protect CIA's record and our part in its accomplishments.

During the late political contest the incoming administration claimed that if effected they would reduce the cost of government and reduce taxes. They would accomplish this through a more efficient and more economical administration of the various departments and by eliminating overlapping of functions. At the same time they would maintain a strong National Defense.

Recently an article appeared in the Washington Star written by Constantine Brown under the title, "CIA is Due for Some Big Changes." In which he stated that CIA could not "justify the hundreds of millions which have been spent on its operations." In a later article the same writer made comment to the effect that all government Agencies including CIA had too many people overseas and indicated that they were living rather plush lives. Members of Congress recently returning from abroad have publically made similar statements. I am sure that many members of Congress are going to take these articles to heart and are going to demand further information on CIA operations.

Under present budget procedures only a few members of Congress know how much money is appropriated annually for CIA and know what CIA does with that money. We have been very fortunate in having friends in controlling positions in Congress who have every confidence in the Director and who

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have made it possible for funds to be appropriated to meet our needs with little publicity. In view of the promises of the new administration to effect economies and the recent highlighting of CIA operations by newspaper columnists we cannot hope to escape in the future a more drastic review of our budget requirements and our operations. In view of this fact, it appears necessary that each and every one of us do everything within our power to get our house in order now.

In my work I have found conditions which convince me that our house has not been in order, that we have not shown a proper appreciation of the taxpayers collar, that we have not shown good business sense in many of our operations, in some cases we have used the covert operations as an excuse to live rather plush existences, and in general fiscal affairs have received little attention.

Let us discuss a few of these items. Recently an Agency paper came to my attention which argued that the amount of administrative detail required of covert operating opersonnel was burdensome and should be materially reduced and in many cases eliminated. I concur in the view that Agency administrative procedures can be materially simplified but this paper went on to infer that in view of the fact that Agency personnel were people of integrity they should not be questioned as to the use made of funds advanced for their operations. I can agree that in many of our operations we must accept the statements of the operators as a proper accounting for funds but from some of the accounts I have seen I feel sure that convertness has been used to excuse poor accounting and to cover items of extravagant and wasteful use of Agency funds.

Let us approach the subject from another angle. The people working for CIA are men and women of ability and some aim to make government their

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life's work. They are ambitious and work conscientiously to improve their position in the government service. Recent experience has shown that no public servant is safe from attack when press headlines are sought or when members of Congress, on receipt of misinformation or for other reasons, unfairly criticize in the public press or on the floors of Congress people in Government who have rendered loyal efficient service. The only real defense against such unfair charges is the written record and I should think that every man or woman who gives the matter proper consideration should be most anxious that any expenditures they make be made a matter of record in order to protect their future.

Another example is that many proprietary projects have been approved and put into operation with absolutely no provision for a fiscal organization or personnel trained in fiscal matters.

The result of this has been that accounts have not been kept current, management has not had proper financial reports and inefficient operations have occurred. Further, when auditors came to audit the accounts, it has been necessary for the high priced auditors to do plain bookkeeping before they could audit.

While some of these cases may be due to the inability of the planning officers to get the necessary trained personnel I am of the opinion that in most cases the difficulty was a lack of appreciation of the need for good fiscal management. Many of the difficulties of this nature could have been obviated had the Comptroller of CIA been called upon to develop fiscal procedures and plans for a fiscal organization for the project and been requested to furnish the personnel for such fiscal organization. Existing regulations contemplate that such action be taken.

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Some examples of failures in this respect follow:

1. A proprietary project with a headquarters in a southern city and large operations overseas was authorized and started with only a chief being provided but no fiscal procedures or personnel were furnished him. As a result when the auditor came to audit the accounts he found the books were not up to date and it was necessary for him to do the plain bookkeeping job of entering on the books almost a years transactions before he could start his audit. The clerk who had been employed by the project chief to do this work did not understand the fundamentals of bookkeeping and accounting. Yet six months later when an auditor returned to that same station the accounts were again found to be in chaotic condition and he again had to spend time bringing the books up to date. There was one improvement however, the clerk assigned to do the bookkeeping stated that he was then going to night school to learn how to keep books.

2. In another project in a city near Washington a headquarters was established with large overseas operations but no fiscal procedures or personnel were provided. After a year a firm of CPA's was employed to audit the accounts. They also found the accounts here could not be audited because the books were not up to date. This accounting firm was employed to do the bookkeeping and to write procedures to be followed in the future. It cost the Agency \$3,000 for that work. Yet six months later when another accounting firm was called on to audit the account it was found that the books were again not in order. While these projects were cited as examples it can be stated that in auditing Agency proprietary projects we have not as yet found one case where proper bookkeeping procedures were developed and put into effect.

3. There was another case involving a large overseas business operation where no fiscal organization or procedures were provided, except that

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an individual was selected for duty as Comptroller and he employed other individuals as his assistants. He stated when he was given the job that he was not qualified for it and results show that not only was he unqualified but his assistants were equally ignorant of fiscal matters. Within less than a year two of these assistants committed fraud against the Agency involving a large loss of funds. The accounts of this large business enterprise were <sup>found</sup> to be in a critical state and it will take some time yet before they can be brought into a reasonably fair condition.

4. In another project, not proprietary, but involving over a million dollars expenditures, the project chief failed to render periodic accounts for a period of almost two years. After much pressure, and a large amount of work, and irritation by all concerned, he finally attempted to balance his accounts. Some accountings were made but a good part of his operations had no written evidence and thousands of dollars had to be cleared by his superiors and the Director on the basis that the difficult type of work on which he had been engaged and the fact that his integrity was above reproach warranted such action. In my opinion had this operator had a proper appreciation of his responsibilities in handling Agency funds he would have taken appropriate action currently to have cleared his account and thus relieved himself of the serious embarrassment which followed when he tried to clear up items from memory a long time after the funds had been expended.

There is another general failure within the Agency and that is a lack of compliance with existing regulations. A lack of discipline. Directives are not fully followed and limited amounts authorized for projects have been exceeded without proper authority. Operations for the sake of operations have been undertaken without a reasonable balancing of cost against

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the more lavishly a field agent lives and expands on his agents and operations the more likely he is to be successful. I am of the opinion that rarely is this true but rather it tends to destroy his cover, and the motivations, and respect of his agents.

Recently I saw a paper prepared by the Finance Division listing over two pages of projects, involving one geographical area, which had been started, and in some cases projects had been completed, for which no fiscal plan had been prepared and as a result the Finance Division had no basis for charging off expenses incurred. A similar condition exists in other areas. The persons preparing the plans for these projects and those approving them had made no provisions for accounting for the funds advanced.

I could go on citing other cases where failures to appreciate the need for the economical use of Agency funds and the proper accounting therefore had laid the Agency wide open to severe criticism should an investigation be made by a committee of Congress.

These examples show a definite need for stronger fiscal control within the Agency. Such control can come exclusively by greater regulatory control. Conversely, it can be achieved by self discipline and the whole-sale development of a sense of financial responsibility. If it is necessary to secure results by rigid control, fiscal regulations will tend to become restrictive and inflexible. Moreover, effective disciplinary action against offenders will be necessary. Obviously it is better that we all work together to develop a common sense of financial responsibility.

Heretofore we have been able to accomplish the mission assigned us because the amount of money available to the Agency has been far in excess of the amount required to efficiently carry out our responsibility but

the period of having ample funds is fast drawing to a close. The budget for 1953-54 is millions below the amount available for the current fiscal

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year which imposes on us the responsibility of requiring that every dollar spent pay its way.

In addition to stronger fiscal controls it is essential that management be provided with a sound fiscal reporting system. No real executive can perform his duties efficiently unless there is prepared for him at least monthly concise operating financial reports showing by projects and operational functions the funds authorized, the amounts obligated and available balances.

To help improve conditions the Comptroller of the Agency has a group of technicians now working on procedures to provide a good control over funds. He is also developing a program analysis and report unit which when properly completed should be able to furnish to management at all levels good fiscal reports highlighting places where possible waste of funds is in evidence. But that is not the whole answer. All Agency personnel must become cost conscious.

There is one other fault to be found in our operations. It takes too long to make desirable changes. The "manana" habit is all too prevalent.

In closing may I repeat, a regard for funds is required of all Agency personnel and failure to fulfill our responsibility in such matters reflects as seriously on our competence and judgment as individuals as does the success or failure of an operation for which we may be responsible. Due to the nature of our work we may expect a substantial percentage of operational failures. However, we can never justify actual administrative negligence. For our own protection as individuals we cannot dodge this responsibility for protection of Agency funds. In justice to the Director, to the Agency, and to ourselves we must see that the purposes for which we spend dollars make sense.

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Thank you. I shall be glad to try to answer any questions.

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